

L.E.K.

Special Report

Why and How Japanese Life Science Commercial Organizations Can Move Beyond the Traditional MR Model



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Opportunities within Japanese life science promotional models

It has become something of a cliché to say that life science manufacturers in Japan need to start commercializing more efficiently. Healthcare expenditure, driven by the world's most rapidly aging population, has reached an unsustainable level, now comprising 11% of GDP.¹ This has led to a variety of government measures to control biopharmaceutical price increases and drive the rapid uptake of generics, which are approaching an 80%² share of the addressable market.

Furthermore, as elsewhere in the world, the era of retail blockbuster small molecules is over, and the transition to specialty biologics, targeted therapies, and now regenerative medicines and other highly innovative therapeutics requires a more consultative, scientific sell. The focus should be on delivering the right information at the right time to support highly specialized physicians as they encounter issues in individual patient cases.

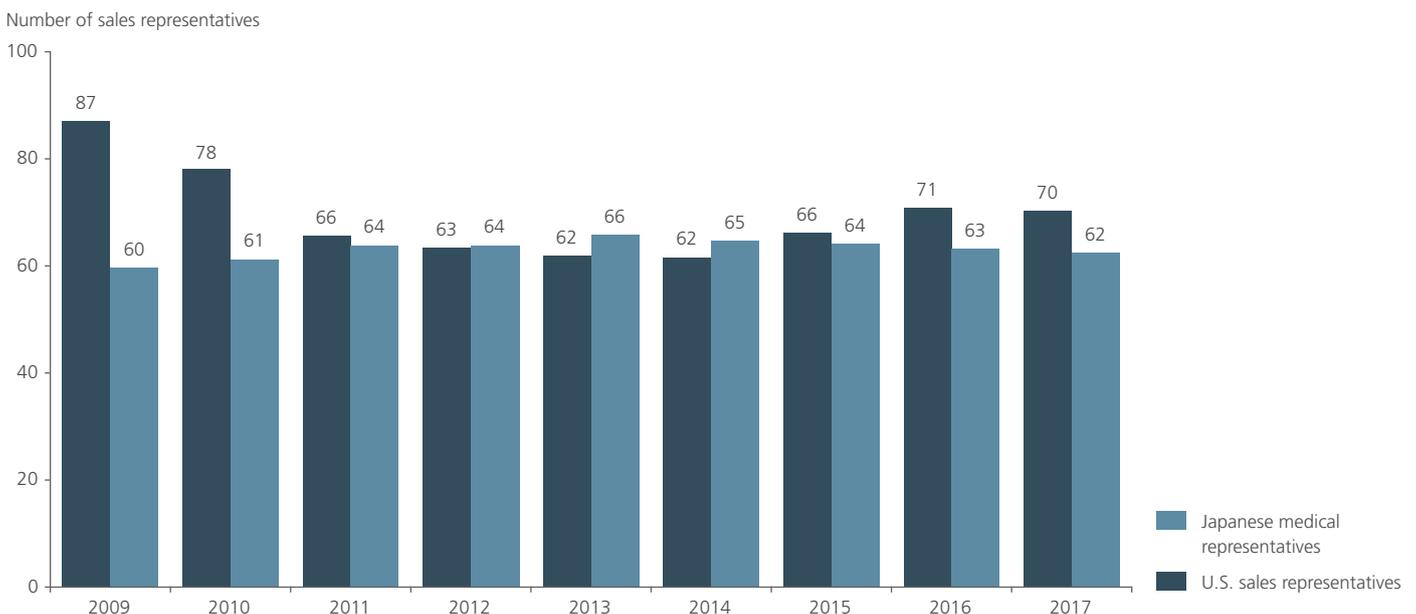
However, the typical promotional model in Japan has failed to keep up with the times. Although novel promotional channels are often discussed in conferences and at industry forums, promotion in reality remains largely dominated by medical representatives (MRs), known as "sales reps" elsewhere in the world. As such, MR head count and expenditure have remained constant over the past 10 years (see Figure 1), despite having dropped significantly in

other countries as pharma companies have retooled to reflect the evolving needs of their increasingly specialized portfolios.

To successfully implement a targeted and diversified multichannel promotional approach, manufacturers will need to adapt it to the cultural nuances of the Japanese life science industry.

1. Understand the value that each promotional method can add to customers' treatment practices, identify key groups of customers based on promotional needs and preferences, and use that to determine the appropriate engagement model and investment level for each customer segment.
2. Test the feasibility of the hypothesized promotional methods, and demonstrate the efficacy of the new promotional approach using a data-driven, evidence-based framework, backed up by an understanding of the effect of the promotional method through market dynamics.
3. Identify the cultural and organizational factors that have sustained traditional selling practices to date, and develop a plan for addressing these factors.
4. Install an organization that is aligned around the need for change, with a leadership that is empowered and has the capabilities to drive change.

Figure 1
Comparison of US sales representatives and Japanese medical representatives (2009-17)



Source: 調査概要について, MR Education and Accreditation Centre of Japan white paper (2019), ZS' PharmaForce Deployment Analyzer (2017)

How can you implement a successful promotional approach?

There are several key success factors to follow when implementing a successful promotional approach in the changing Japanese environment:

1. Segment the market, and select an engagement model and investment level based on a robust understanding of account profitability and customer preferences/support needs

A combination of data and market understanding should be leveraged to construct a segmentation reflecting physician value and profitability as well as physician engagement preferences and needs (see Figure 2). Where possible, data should be utilized to measure promotional effectiveness, to streamline promotion based on where it has been historically profitable, and to identify where promotion may be profitable in the future. This is especially true for costly face-to-face MR promotion, which has traditionally been preferred by Japanese physicians. However, given changing access dynamics and engagement channel preferences of younger doctors, willingness to use digital promotion should also be tracked going forward, to support the shift away from an MR-heavy approach.

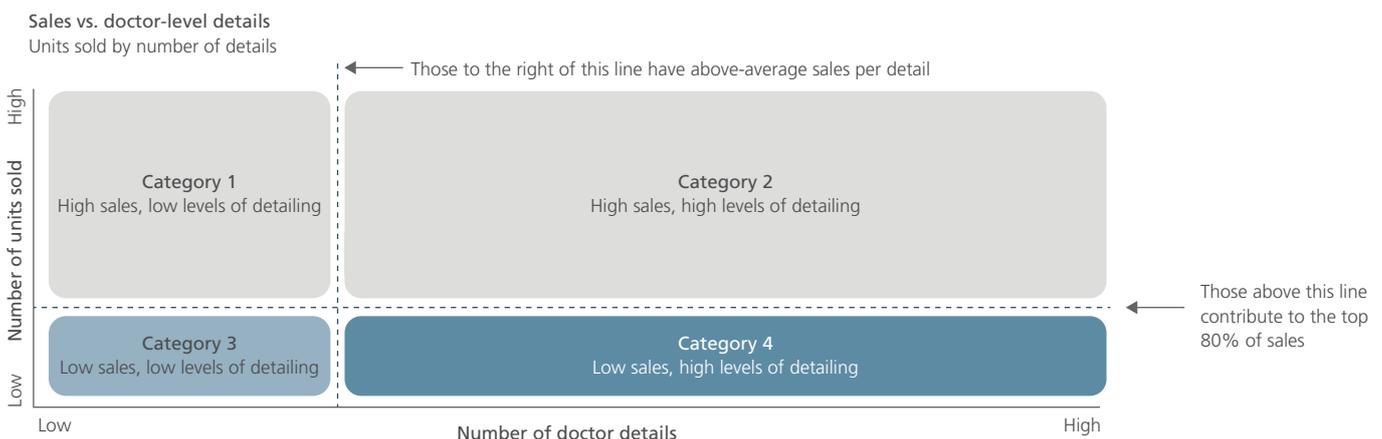
At the same time, it is important to keep in mind that data alone is not enough to determine the attractiveness of promotional targets. There are cases where the role an individual physician plays in a disease area's treatment process, either through their own activities or by influencing the activities of other physicians, means that target must be prioritized for promotion even if his historical transaction data appears low. In Japan, such a situation commonly occurs with key opinion leaders (KOLs) who practice in academic

settings with a relatively small patient load, but through writing guidelines and other industry activities exert a disproportionate influence on the physician community at large. In such cases, judgment and market understanding must be combined with data to make the optimal decision for these stakeholders.

After a comprehensive understanding of customers' needs and preferences with respect to promotion has been developed, it is important for a company to reassess its commercialization, organization and engagement approach, especially if historical engagement efforts have been heavily focused on face-to-face MR promotion. Assuming assessment has determined that a shift to an engagement approach with multiple promotional channels is necessary, this is likely to result in a reduction in MR activity levels. Where a sales force is already deployed, it is important to emphasize that a scaled-back MR effort does not result in a diminished MR role, and instead that additional promotional channels serve to enhance the dissemination of information and building of relationships with physicians. Given the importance of face-to-face MR interactions to today's physicians in Japan, identifying how and where MR effort can be scaled back should be supported by data and market understanding. In the rarer case of building a sales organization from the ground up, these considerations should also be taken into account.

For physicians who do not make the cut for, or do not require, face-to-face MR promotion, alternative channels such as digital promotion and video MRs should be considered as a supplement or complement for an MR effort. To the extent possible, deployment should be based on past and predicted future profitability in combination with physician preference. If the manufacturer has simply never deployed alternative channels,

Figure 2
Target segmentation for promotion prioritization based on levels of sales and detailing



Source: L.E.K. Consulting research and analysis

or has deployed such channels but has never tracked profitability information, then feasibility of alternative channels outside of face-to-face promotion should first be determined through objective third-party research.

In past studies, we have typically seen that Japanese physicians react somewhat well (although not in a uniformly positive way) to video MRs, since this format most closely mimics face-to-face interaction with the MR (and also allows for increased flexibility around the physician’s schedule and potentially even for longer interactions and the opportunity to provide more detailed medical and scientific information). Physicians have generally reacted in a uniformly negative way to the concept of telephone MRs due to the difficulty of conveying medical and scientific information by phone. Likewise, although some physicians appreciate the on-demand nature of predefined digital information and the flexibility it affords their schedule, many physicians find information disseminated through digital means to be lacking in depth and not customized sufficiently to their specific concerns.

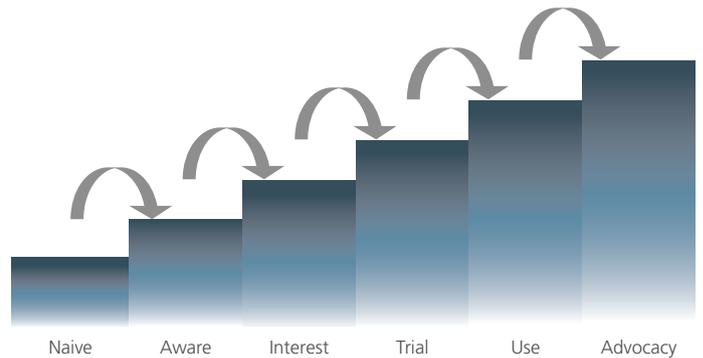
2. Understand the changing needs of stakeholders as they move up the adoption stairway, and tailor content and the engagement model accordingly

It is important to note that the required level of personalization varies significantly based on the physician’s level of adoption and experience with the given product, as well as with the product’s overall life cycle stage. When physicians are first learning about a given product, they probably need standardized information about efficacy and safety that can easily be delivered through digital channels, accompanied by personal follow-up from the MR. The most intensive period of personalized promotion is required as the physician begins to actively experiment with the product in patients, as each patient case will present its own challenges, requiring personalized information from the MR. As the physician becomes an experienced user of it, support can be transitioned to a more on-call model, as the physician is more able to handle standard patient cases by themselves (see Figure 3). The purpose of all promotion channels is to move physicians along the adoption stairway, and identify and deploy MRs against the doctors that need it most.

Likewise, as a product matures and there is simply less new information to disseminate about it, the required amount of personalized promotion decreases, and reminder details can be easily deployed through digital channels.

Finally, as noted in the beginning of this article, more scientifically complex products, such as targeted therapies and regenerative medicines, require a higher level of customized support, given

Figure 3
Promotion channels that move physicians along the adoption stairway



Source: L.E.K. research and analysis

the complexity of the information to be delivered and of the patient cases typically encountered. It should be noted that as the complexity of information to be delivered and the level of support physicians require in using the products increase, medical science liaisons (MSLs) should be deployed separately from promotion efforts to provide medical information and support, typically in the launch phase but also across the product life cycle, particularly for complex disease areas and wherever patient support services are offered. Physicians expect different information and support along the product life cycle, some of which can be delivered through non-MR channels (see Figure 4).

Figure 4
Promotion phases through non-MR channels

Promotion phases	Description	Objective	Importance of MR
Preliminary presentation of the drug	<ul style="list-style-type: none"> Provision of preliminary overview of the drug and its indications 	Inform	
Detailing of the technical drug content	<ul style="list-style-type: none"> Detailed discussion of drug properties, efficacy profile, side effects, differentials with competitors and administration methods 	Inspire	
Physicians’ first trials	<ul style="list-style-type: none"> Report of adverse events Discussion of adverse events management 	Experience	
Support for reliable utilization	<ul style="list-style-type: none"> Continued support for patient-specific treatment situations Presentation of new studies/guidelines to enlarge the market 	Expand	

Source: L.E.K. research and analysis

Currently, non-MR channels are typically underused, misused (e.g., activated but not deployed against the right customers or, worse, simply flung out against all targets without consideration for each individual target's promotional needs) or not used at all. As noted, Japanese physicians are unusual compared to their global counterparts in that they continue to state an overt preference for face-to-face personal promotion from MRs. Therefore, the key principle guiding deployment of alternative promotional channels is that these channels should replicate the personalized nature of the support that physicians get from the MR as much as possible, while still maintaining profitability and delivering the appropriate level of support given the physician's experience level.

3. Drive change from the top — from strategic vision to operational execution

The status quo in Japan is that MR promotion is the default mode of promotion, and embracing new channels represents a substantial change for any sales organization in Japan. However, the sales function is typically politically strong within life science manufacturers in Japan (with marketing sometimes even reporting to sales) and is resistant to change, and therefore cannot be counted on to enact such changes by themselves. Furthermore, marketing personnel are often former MRs who have been "promoted" into an HQ-based position, and they may not bring fresh outside perspective on how to coordinate MR promotion with other methods.

Top country-level management is likely to be the only entity in the company with the political will and ability to drive such change. Management should build an organization that is aligned around the change, empowered to drive change forward, and enabled to monitor change and make course corrections, and must hold the organization accountable for producing results.

Furthermore, it must be emphasized that whoever within the company champions the change initiative must maintain a consistent message and must devote a consistent level of energy and enthusiasm throughout the project, overseeing design of the strategic solution and then seeing the project all the way through to successful implementation and execution. A project that initially receives a strong push from senior management but is then delegated to midlevel managers is sure to die before coming to full fruition.

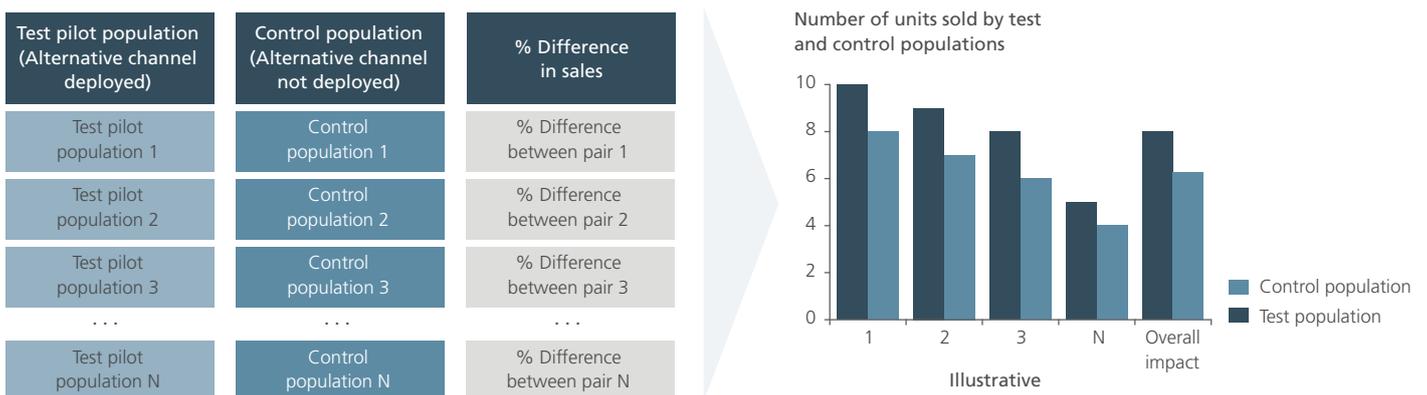
4. Use an approach leveraging both data-driven analytics and market understanding to demonstrate the efficacy of new promotional methods

When deploying a non-MR channel for the first time, it is critical to establish the legitimacy of the method in the eyes of the rest of the organization through a rigorous approach based on actual data. A simple "test and control" framework should be set up in which the new channel is piloted among a certain population of doctors while the status quo is maintained for a corresponding control set of doctors (see Figure 5). Efficacy and profitability can then be demonstrated with the test doctors relative to the control doctors, providing a simple, explicit and clear demonstration of the efficacy of the new approach.

To understand the market impact of a new engagement strategy, periodically perform a market surveillance exercise with MRs to understand how your efforts are being perceived internally, relative to competitors', and to gather data to refute the hypothesis that pulling back MR efforts has had a negative impact on sales.

Figure 5

Test-and-control analytics will reveal whether there is a statistically significant difference in sales due to alternative channel promotion between test and control populations



Source: L.E.K. research and analysis

What are the challenges for promotional transformation?

We commonly see six barriers preventing successful implementation of a diversified, targeted promotional approach (see Figure 6):

1. Refusal to accept a “less important” role for sales.

We commonly encounter objections from sales that implementation of other promotional channels and/or a reduction in MR activity levels implies that sales has somehow decreased in stature. It must be emphasized to sales personnel that such tools and technology are not competitors for their jobs but rather enablers that allow the MRs to do their job even better. Alternative channels allow MRs to enhance and elevate their relationships with physicians by being more responsive and providing more timely and tailored information, leveraging the expertise of, e.g., video MRs and other groups within the company. It should be emphasized to sales that sales is still in fact the primary promotional channel around which the other promotional methods are deployed. Top-value physicians and KOLs are still prioritized for MR promotion, and physicians of all types uniformly continue to hold the personalized support provided by sales in high regard.

2. Lack of appreciation of the need for change by stakeholders within the company. We routinely see life

science manufacturers investing MR effort in physician targets that have simply not been profitable historically. Even if these targets do respond to MR effort, the benefit from the response is outweighed by the cost of MR promotion. A simple comparison of physician- or hospital-level sales and MR promotional effort is typically sufficient to demonstrate whether or not a given target has historically been profitable, but we commonly observe that such analyses either are not routinely completed or are not used in targeting activity.

As such, sales personnel simply do not perceive the need to change their current promotional approach. Sales must understand that for the sake of the financial viability of the company, it cannot engage in money-losing activities indefinitely. Furthermore, it is important to note that these money-losing targets are not the strategically important KOLs that must be covered due to the outsize influence they exert on other doctors. Rather, we commonly see manufacturers wasting promotional effort on small, strategically unimportant, unprofitable accounts.

3. Risk aversion to pulling back MR effort. Even after the non-profitability of targets is demonstrated through historical data, we commonly encounter risk aversion in the form of

Figure 6
Six barriers to promotional transformation in Japan



a fear that sales will somehow fall through the floor (either at the untargeted accounts or altogether) if MR effort is reduced. Again, simple data-driven approaches routinely show that if MR effort is reduced, sales decline but the cost savings from reduced promotion outweigh that sales decline. The accumulation of sales even after MR effort is reduced or stopped entirely is commonly referred to in the industry as “brand equity” or “carryover” and in our experience typically follows the same pattern in Japan as in other countries, with preexisting sales declining by as little as 10% in stable markets after promotional effort is reduced.

Furthermore, we often encounter risk aversion in the fear that pulling back MR promotion among certain doctors (even low-volume, strategically unimportant doctors) will harm sales by creating a sense of unease among high-value physicians that they might be next, thus harming the sense of comfort that they will be supported as they use the product, as noted above. Again, the data typically demonstrates that while a certain amount of sales decline is to be expected among doctors for whom MR promotion is directly reduced, there is no such “spillover” effect on other doctors.

4. Poor demonstration of efficacy. Even if it can be demonstrated that pulling back MR effort and potentially replacing MR effort with alternative channels will not cause sales to evaporate, we commonly observe that when a new promotional approach is rolled out, there is no framework put in place to measure and demonstrate efficacy. Given that risk aversion will doubtless continue to linger even after the data-driven demonstrations described above take place, it is imperative that as the new promotional approach is rolled out, data-based demonstrations of efficacy be routinely (monthly or quarterly) provided to sales. Indeed, if a life science manufacturer has limited experience deploying digital or alternative channels, then such routine monitoring is imperative to make sure the company has effectively deployed the alternative channels.

5. Poor key performance indicator tracking and compliance tracking. Without the appropriate KPI and compliance tracking, MRs will not be held accountable for

their call plans or activities. This will detract from profitability as they revert to calling doctors with whom they are familiar but among whom MR effort has historically not been profitable.

Three physician populations are of interest when assessing compliance with the call plan: 1) doctors who have been targeted, 2) doctors who have actually been contacted, and 3) doctors who have prescribed the product. If a well-designed call plan has been put in place and if the sales force complies with the call plan, then theoretically all three populations should coincide. In practice we commonly see a significant amount of non-overlap, especially for products for which the prescribing base is broadly dispersed among a large number of low-value clinic accounts, demonstrating that if sales is not held accountable to the call plan, they cannot be expected to comply.

6. Organization is not enabled or lacks willpower to enforce change. Implementation of a data-driven approach will not occur spontaneously but must be motivated by personnel with an appreciation for the financial and profitability implications as well as the political will and ability to enforce implementation of such changes. Top in-country management or regional or global management is likely to be the only entity within the company capable of driving such change, and should be motivated to mandate the adoption of alternative targeted promotional approaches. A deployment of alternative promotional channels will likely be seen by sales as an earth-shattering change, and therefore with the rollout of such changes, proper communication and management of stakeholder expectations are crucial to ensure full organizational alignment.

Top country-level or global/regional management should seek to understand the motivations and desires of in-country employees; however, this management must also be prepared to replace local leadership if necessary to drive change and organizational alignment. This also means that these management team members should maintain a consistent message and be willing to roll out the solution themselves if necessary.

Action plan and checklist

As noted at the start of this article, to successfully implement a targeted, diversified promotional approach, manufacturers will need to adapt the general multichannel approach to cultural nuances of the Japanese life science industry. This approach includes:

1. Understand the evolving dynamics in the Japanese life science industry and the implications they have for your customers' promotional and engagement needs, given the nature of products in your portfolio. Are you shifting to a specialty-driven, scientifically complex portfolio? Are your key products at the end stage of their life cycle? Does your current promotional strategy have the right balance and use of channels between old products and new launches?
2. Given the above implications, develop a go-to-market plan to deliver the right support and information to your customers through the appropriate channel, using a segmentation approach that balances physician value and profitability

Case study 1: Reconstructing the go-to-market strategy to support a potentially market-leading launch portfolio

A client's portfolio was in a state of transition. Historically, it had generated most of its revenue from a blockbuster product that would soon face patent expiry and generic competition. Furthermore, it was soon to launch several new products into adjacent but still new indications for the company. Given the increased diversification of the company's future portfolio, the company had to spread resources across a broader population of customers, and as such, it needed to leverage a multichannel approach to efficiently and cost-effectively cover this broader set of stakeholders with a different set of needs when launching the new indications.

When L.E.K. assessed the historical profitability of MR promotion, it was revealed that the vast majority of the company's historical accounts had not been profitable. Thus, in order to streamline efforts for the future focus, MR resources for the old product were cut by 50% to free up resources to drive the new launch.

versus physician engagement preferences and needs. If alternative, non-MR channels have not been leveraged effectively before, it will be important to understand the feasibility and efficacy of using these channels with your target customer base before full deployment.

3. Build an organization that is aligned around the need for change and is empowered to drive the change forward. Enable the change through the right incentives, reporting lines and organizational design. Rethink leadership, and identify the right leaders with the capabilities to drive the change. Understand and anticipate potential opposition by mobilizing top leadership, preparing the fact base to support the change and proactively engaging with the key stakeholders who are likely to challenge the change. It might be the case that there is a need to lead from the front rather than from the back, and for leadership to become more involved in the change process than ever before.

Additionally, we assessed the promotional preferences of the existing customer base and found natural segments where MR effort would have the most impact, and natural sections and niches where digital deployment would be effective.

To demonstrate the efficacy of the new approaches, we developed a KPI and monitoring framework for data-driven results tracking. And finally, we equipped the company senior management with arguments and a rationale by which to engender alignment across the entire company.

The impact on the client organization was threefold:

1. The profitability for the existing product was optimized, while a larger bandwidth was available for the new product launch.
2. The MRs were able to disseminate the right information at the right time, for the right customer.
3. The local senior management and local sales management were aligned; they believed in the need for change and in the process that was being implemented.

Case study 2: Transforming the go-to-market strategy to reflect the changing market environment and increasing unsustainability of the historically MR-heavy promotional approach

A client was anticipating future revenue decline in one of its business units in the face of a rapidly changing market environment and an increasingly unsustainable MR-heavy approach, and therefore sought to explore resourcing changes that could potentially limit the decline in this business unit, while also investing in a complementary business unit's growth opportunities.

When assessing the MR promotional effectiveness of the declining business unit, we found that about 35% of covered accounts represented 80% of revenue, and therefore the client could reduce its sales team significantly and still service high-value accounts. Additionally, it was found that there were also efficiency gains to be realized in the growing business unit in order to establish the market positioning ahead of competitor

entry. Finally, despite synergies between the two business units, existing silos were limiting opportunities for beneficial collaboration.

L.E.K. provided three recommendations to the client across the two business units:

- 1. Declining business unit:** Gain efficiencies through account prioritization and use of alternative engagement models.
- 2. Growing business unit:** Invest in additional resources for greater account coverage and tailor engagement models to physicians' service preferences.
- 3. Organizational structure:** Adjust resourcing to reposition resources and enable cross-business-unit collaboration.

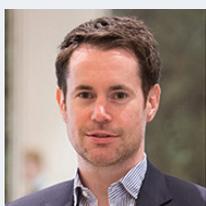
The recommendations resulted in a merging of the two separate business units into one. Given the high overlap of the customer base and the overall streamlining of the sales structure through which support was delivered to customers, this change generated substantial cost savings.

Endnotes

¹WHO Global Health Expenditure Database (2017)

²Japan Generic Medicines Association data (December 2019)

About the Authors



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Patrick is a Partner in the L.E.K. Consulting Tokyo office and a member of the firm's life sciences practice. He works with businesses and investors in the biopharmaceutical, medical device and broader healthcare sectors. He advises clients on a range of topics, including commercial strategy, corporate and business unit strategy, pricing and market access, and M&A. Patrick joined L.E.K. in 2007 and has worked in the firm's Tokyo, Singapore, Boston and New York offices.



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